DOCUMENT RESUME

ED 096 547 CE 002 188

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TITLE	Two Decades of Employee-Benefit Plans, 1950-1970: A Review.
INSTITUTION	Social Security Administration (DHEW), Washington, D.C.
REPORT NO	DHEW-SSA-72-11700
PUB DATE	Apr 72
NOTE	14p.
EDRS PRICE	MF-$0.75 HC-$1.50 PLUS POSTAGE
DESCRIPTORS	*Employees; Employer Employee Relationship; *Fringe Benefits; Health Insurance; *Insurance Programs; *Retirement
IDENTIFIERS	*Employee Benefit Plans; Pensions

ABSTRACT

This article discusses the long-term growth of employee-benefit plans (which have grown tremendously since 1950) and assesses this trend in terms of real gains. The article states that contributions, by 1970, were nine times greater and benefit outlays 14 times greater than in 1950, and the number of persons covered by most types of benefits grew sharply. There also were impressive developments in the scope and level of benefits. Detailed tables, graphs, and statistics illustrate the drastic increases. Typical benefits, including life insurance, health and hospitalization, disability, unemployment, retirement, pension plans, and others are reviewed. (NH)

ED 066547

Two Decades of Employee-Benefit Plans, 1950-70: A Review

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CE 002 188

Reprinted from the *Social Security Bulletin*, April 1972
U.S. DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
Social Security Administration

DHEW Publication No. (SSA) 72-11700

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Two Decades of Employee-Benefit Plans, 1950-70: A Review

by WALTER W. KOLODRUBETZ*

In the 20 years since 1950, the scope of employee-benefit plans has grown tremendously. By 1970, contributions were nine times greater and benefit outlays fourteen times greater than they were in 1950. The number of persons covered by most types of benefits also grew sharply. Furth[illegible], impressive developments have occu[illegible] the scope and level of benefits, e[illegible] past few years. This article disc[illegible] term growth in these plans and asse[illegible] in terms of real gains.

EMPLOYEE-BENEFIT PLANS in 1970 exhibited strong increases in contribu[illegible]ons and benefits, despite the general slowdown in the economy. Benefit payments amounted to $25.8 billion (16.6 percent more than in 1969), and contributions reached $34.7 billion (13.8 percent more than a year earlier). A large portion of the gain, however, was offset by inflation.

For most types of plans, coverage gains were smaller than the growth rate in contributions and benefits. All types of benefit plans in this series, however, showed substantial increases in the number of persons covered, mainly attributable to expanded employment in existing plans.

Employee-benefit plans are now the predominant institution through which most workers and their families obtain basic medical care protection. As the decade of the sixties ended, the most common health coverages provided were for hospital expense (153 million workers and dependents) and surgical expense (151 million persons), followed by in-hospital medical benefits protection (133 million persons). Comprehensive and supplementary major-medical expense plans included 72 million workers and dependents. There were 52 million workers with life insurance protection and 31 million with temporary disability insurance protection. Almost 30 million persons had private retirement plan coverage provided through their [illegible]lace of employment.

These totals mark a 20-year period of growth in which the number of persons included in hospital insurance, life insurance, and retirement plans has tripled. Coverage under surgical, regular medical, and major-medical expense plans has expanded at an even greater pace.

The long-run gains are further accentuated when the number of workers covered is related to the total labor force. From 1950 to 1970 the proportion of the employed civilian wage and salary labor force with some type of health insurance through the employment place expanded from about 50 percent to 80 percent. The percentage of employees with group life insurance and death benefit protection increased from about 40 percent to almost 70 percent. Nearly 50 percent of the private wage and salary work force had private retirement plans in 1970, more than double the proportion for 1950.

Despite these impressive statistics, evidence of the past few years indicates that under the existing institutional structure, a portion of the labor force faces substantial barriers in obtaining these basic protections through their place of employment. For private retirement and temporary disability plans, the coverage gap remains quite large. It is somewhat smaller for basic types of health-benefit plans.

An "employee-benefit plan," as defined here, is any type of plan sponsored or initiated unilaterally or jointly by employers or employees and providing benefits that stem from the employment relationship and are not underwritten or paid directly by government (Federal, State, or local). In general, the intent is to include plans that provide in an orderly predetermined fashion (1) income maintenance when regular earnings are cut off because of death, accident, sickness, retirement, or unemployment and (2) benefits to meet medical expenses associated with illness or injury.

Government employees who are covered by plans underwritten by nongovernment organizations are included in the series, whether or not the government unit contributes (as an employ-

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er) to the financing of the program. Specifically included here are plans providing government employees with group life insurance, accidental death and dismemberment insurance, and hospital, surgical, regular medical, and major-medical expense insurance. Retirement and sick-leave plans for government employees, which are financed and administered directly by government, are excluded from the series.

HISTORICAL DATA

The historical series on employee-benefit plans has undergone one substantial revision. Contributions and benefits paid under private retirement plans have been adjusted upward for years since 1962 to account for revised estimates made by the Securities and Exchange Commission. A minor change has been the exclusion of the self-employed from the coverage series of private retirement plans. The effect of these changes is discussed later under the section on retirement plan trends.

Coverage for Employees

In 1970, all types of employee-benefit plans registered gains in the number of employees covered, but gains were modest for the traditional categories. As table 1 shows, among employees with some type of health care in 1970, almost 60 million had hospital protection and 59 million had surgical coverage. Regular in-hospital medical expense coverage was extended to 53 million workers. A considerably smaller number of employees were involved in major-medical expense plans,[1] which covered about 27 million workers. Temporary disability and retirement plans each included about 30 million workers in 1970—a total not much different than their 1969 figures.

Twenty years ago the prevailing pattern of health insurance coverage offered by employee-benefit plans was largely confined to hospital expense and surgery in the hospital. These forms of health care are, of course, the most costly and most often used, and they account for the largest share of health expenditures. Over the years the coverage pattern has shifted considerably, so that today an increasing number of employees (and their dependents) have gained protection for other medical services such as physicians' hospital, home, and office visits, X-ray and laboratory examinations (out-of-hospital), and prescribed drugs (out-of-hospital).

Table 1 shows the 20-year trend in employee health insurance coverage patterns and indicates how the various types of services have been extended so that comprehensive coverage is now in effect for a large number of employees. Regular medical expense insurance, for example, provided protection for almost 45 million more workers in 1970 than in 1950, and surgical expense insurance covered 41 million more. Somewhat more modest gains are found for hospital-expense plans, which added 35 million. Major-medical expense plans (which now cover nearly 27 million workers) have not increased in such large absolute numbers, but their growth is more dramatic considering that such plans were first offered after 1950.

The trend toward broader coverage is also illustrated in table 2, which has estimates for coverage of medical services other than the conventional types of coverage just discussed. Since these benefits are relatively new, the number of employees with such protection is smaller than that with other types of coverage. Their growth rate has far exceeded that for other types of health coverage in recent years. Coverage for X-ray and laboratory examinations (out-of-hospital), for example, went from 31 million workers in 1965 to 56 million in 1970. Protection of covered workers for physicians' home and office visits rose from 25 million in 1965 to 35 million in 1970.

Contributions

Employer and employee contributions to employee-benefit plans amounted to $34.7 billion in 1970—an advance of about 14 percent from the previous year's total (table 3). The substantial increase can be attributed, for the most part, to a 20-percent rise in contributions to health insurance plans, which totaled $13.9 billion in 1970. Some of the increase, however, came from retirement plan contributions, which amounted to

[1] Data for major-medical expense plans relate only to those written by commercial insurers and exclude Blue Cross-Blue Shield plans of this type (covering 24.9 million persons in 1970).

about $14.0 billion, or 9.5 percent more than in 1969.

All sectors of employee-benefit plans have experienced sizable increases in contributions—measured either in absolute dollars or in percentage gains. Thus, the short-term growth trend shows a definite acceleration—a reversal of the previous trend—despite a slackening in expansion

TABLE 1.—Estimated number of wage and salary workers and their dependents covered under employee-benefit plans,[1] by type of benefit, 1950–70

[In millions]

End of year	Benefits for all wage and salary workers							Benefits for wage and salary workers in private industry				
	Life insurance and death [2]	Accidental death and dismemberment [3]	Hospitalization [4 5]		Surgical [4]	Regular medical [4]	Major medical expenses [4 6]	Temporary disability including formal sick leave [7]		Long-term disability [8]	Supplemental unemployment [9]	Retirement [10]
			Total	Written in compliance with law				Total	Written in compliance with law			
Total:												
1950	19.6	8.1	54.5	1.2	37.5	15.6	.....	20.1	6.6	.....	.....	9.8
1955	29.6	15.6	81.4	1.4	73.1	47.0	4.8	23.5	6.8	.....	1.0	15.4
1960	37.3	20.9	103.9	1.2	98.3	73.3	25.6	24.5	6.8	.....	1.7	21.2
1961	39.1	21.3	107.3	1.1	102.3	78.2	31.5	24.6	6.8	.....	1.8	22.2
1962	40.6	22.6	110.9	.9	105.9	82.0	35.1	25.2	6.8	.....	1.8	23.1
1963	42.8	24.7	116.2	.3	111.3	87.2	38.7	25.7	6.2	.....	1.8	23.8
1964	45.2	26.5	119.6	.3	114.9	92.9	42.6	26.4	6.2	.....	1.9	24.6
1965	47.4	28.4	123.9	.3	119.9	99.4	47.3	27.6	6.4	.....	2.1	25.3
1966	50.0	28.5	128.2	.4	124.0	104.2	52.0	26.9	6.6	2.4	2.2	26.3
1967	52.8	30.4	133.8	.4	130.3	111.5	57.4	27.4	6.7	3.8	2.2	27.5
1968	55.7	33.7	139.8	.4	136.4	116.5	61.7	29.5	6.7	4.7	2.3	28.0
1969	56.6	36.5	147.1	.4	144.8	124.3	66.6	30.9	6.9	5.7	2.4	29.0
1970	60.4	38.7	152.8	.4	150.8	133.4	72.3	31.2	6.9	7.2	2.5	29.7
Employees:												
1950	19.4	8.1	24.3	1.2	17.7	8.2	.....	20.1	6.6	.....	.....	9.8
1955	28.0	15.6	33.1	1.4	30.2	20.4	2.3	23.5	6.8	.....	1.0	15.4
1960	34.2	20.9	40.6	1.2	38.6	29.5	9.7	24.5	6.8	.....	1.7	21.2
1961	35.5	21.3	42.0	1.1	40.2	31.5	11.6	24.6	6.8	.....	1.8	22.2
1962	36.4	22.6	43.3	.9	41.4	32.8	12.9	25.2	6.8	.....	1.8	23.1
1963	37.8	24.7	45.3	.3	43.5	34.9	14.6	25.7	6.2	.....	1.8	23.8
1964	40.1	26.5	46.5	.3	44.8	36.6	15.6	26.4	6.2	.....	1.9	24.6
1965	41.9	28.4	48.5	.3	47.0	39.4	17.5	27.6	6.4	.....	2.1	25.3
1966	43.5	28.5	50.1	.4	48.6	41.2	19.0	26.9	6.6	2.4	2.2	26.3
1967	45.7	30.4	52.1	.4	50.8	43.9	21.2	27.4	6.7	3.8	2.2	27.5
1968	48.2	33.7	54.6	.4	53.1	46.1	22.8	29.5	6.7	4.7	2.3	28.0
1969	48.5	36.5	57.4	.4	56.5	49.2	24.6	30.9	6.9	5.7	2.4	29.0
1970	51.6	38.7	59.6	.4	58.9	52.9	26.6	31.2	6.9	7.2	2.5	29.7
Dependents:												
1950	.2	.....	30.2	.....	19.8	7.4	.....	.....	.....	.....	.....	.....
1955	1.6	.....	48.3	.....	42.9	26.6	2.5	.....	.....	.....	.....	.....
1960	3.1	.....	63.3	.....	59.7	43.8	15.9	.....	.....	.....	.....	.....
1961	3.6	.....	65.3	.....	62.1	46.7	19.9	.....	.....	.....	.....	.....
1962	4.2	.....	67.6	.....	64.5	49.2	22.2	.....	.....	.....	.....	.....
1963	5.0	.....	70.9	.....	67.8	52.3	24.1	.....	.....	.....	.....	.....
1964	5.1	.....	73.1	.....	70.1	56.3	27.0	.....	.....	.....	.....	.....
1965	5.5	.....	75.4	.....	72.9	60.0	29.8	.....	.....	.....	.....	.....
1966	6.5	.....	78.1	.....	75.4	63.0	33.0	.....	.....	.....	.....	.....
1967	7.1	.....	81.7	.....	79.5	67.6	36.2	.....	.....	.....	.....	.....
1968	7.5	.....	85.2	.....	83.3	70.4	38.9	.....	.....	.....	.....	.....
1969	8.1	.....	89.7	.....	88.3	75.1	42.0	.....	.....	.....	.....	.....
1970	8.8	.....	93.2	.....	91.9	80.6	45.7	.....	.....	.....	.....	.....

[1] Plans whose benefits flow from the employment relationship and are not underwritten or paid directly by government (Federal, State, or local). Excludes workmen's compensation required by statute and employer's liability.

[2] Group and wholesale life insurance coverage based on data from Institute of Life Insurance and Health Insurance Association of America, *Group Insurance Coverages in the United States*, annual issues, and *Tally*, October 1971, modified to exclude group plans not related to employment. Also excludes Servicemen's Group Life Insurance issued to cover members of the Armed Forces. Self-insured death benefit plan coverage based on data for various trade-union, mutual benefit association, and company-administered plans.

[3] Data from the Institute of Life Insurance (see footnote 2).

[4] Data from "Private Health Insurance in 1970: Population Coverage, Enrollment, and Financial Experience," *Social Security Bulletin*, February 1972, and from sources cited in footnote 2. In estimating number of employees covered under plans other than group insurance and union and company plans, it was assumed that the proportion of subscribers in employed groups increased gradually from 75 percent in 1950–60 to 83 percent in 1970. Data for hospitalization, surgical, and regular medical coverage adjusted to include employees and their dependents covered by group comprehensive major-medical expense insurance.

[5] Includes private hospital plans written in compliance with State temporary disability insurance law in California.

[6] Represents coverage under group supplementary and comprehensive major-medical insurance underwritten by commercial insurance companies. Comprehensive insurance, which includes both basic hospital-surgical-medical benefits and major-medical expense protection in the same contract, covered an estimated 6,765,000 employees and 11,464,000 dependents in 1970.

[7] Includes private plans written in compliance with State temporary disability insurance laws in California, New Jersey, and New York. Data from *A Survey of Accident and Health Coverage in the United States* (Health Insurance Council, 1950) and *Extent of Voluntary Insurance Coverage in the United States* (Health Insurance Council, 1951–68) and from the Institute of Life Insurance (see footnote 2), adjusted to exclude credit accident and health insurance. Data for 1950 modified slightly to adjust for effect of State temporary disability insurance laws on formal paid sick leave and other self-insured plan coverage. Beginning in 1956, group accident and sickness insurance coverage has been adjusted to exclude those with long-term benefit policies, which usually do not provide short-term benefits. This coverage is now shown separately.

[8] Data from Health Insurance Association of America (see footnote 2). Estimates for years before 1966 are not available.

[9] Based on trade-union and industry reports. Excludes dismissal wage and separation allowances, except when financed by supplemental unemployment benefit funds covering temporary and permanent layoffs.

[10] Estimated by the Office of the Actuary, Social Security Administration. Includes pay-as-you-go and deferred profit-sharing plans, plans of nonprofit organizations, union pension plans, and railroad plans supplementing the Federal railroad retirement program. Excludes pension plans for Federal, State, and local government employees as well as plans for the self-employed. Data exclude annuitants.

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TABLE 2.—Estimated number of wage and salary workers and their dependents under employee-benefit plans,[1] by selected type of medical care service, 1965 and 1970

[In millions]

Type of benefit	Total	Employees	Dependents
	1970		
Physicians' office and home visits	88.7	35.1	53.6
X-ray and laboratory examinations	142.0	56.1	85.9
Prescribed drugs (out-of-hospital)	99.8	39.0	60.8
Private-duty nursing	97.7	38.2	59.5
Visiting-nurse service	103.9	40.7	63.2
Nursing-home care	28.6	11.6	17.0
Dental care	12.0	4.9	7.1
	1965		
Physicians' office and home visits	63.7	24.6	39.1
X-ray and laboratory examinations	80.0	31.1	48.9
Prescribed drugs (out-of-hospital)	54.4	20.8	33.5
Private-duty nursing	56.9	21.7	35.2
Visiting-nurse service	60.5	23.1	37.4
Nursing-home care	9.6	3.8	5.8
Dental care	3.0	1.3	1.7

[1] Plans whose benefits flow from an employment relationship and are not paid directly by government (Federal, State, or local).

of coverage. Although these increases are mainly due to inflationary factors, benefit improvements in the same period also played a role.

Contributions to employee-benefit plans in 1970 were nine times greater than they were in 1950 (chart 1). Between 1950 and 1955, contributions almost doubled, with most of the growth centered in health benefit plans and pension plans. Between 1955 and 1960, total contributions increased by about 60 percent; they showed a similar rise between 1960 and 1965. Since 1965, however, they have risen by about 75 percent. Most of this growth can be attributed to the increases of 67 percent in retirement plan contributions and 85 percent in health plan contributions.

The amount and pattern of employee-benefit plan contributions have undergone substantial shifts in the 20-year period. In 1950, when the total amount contributed was less than $4 billion, the various types of health insurance benefits accounted for a little more than one-fifth of employer-employee contributions. Since then an increasing share of contributions has been channeled to health insurance benefits, with a smaller portion going for retirement benefits and the amounts for the other benefits remaining more or less stationary. As a result, in 1970 contributions for health care—$13.9 billion—were two-fifths of aggregate contributions. Retirement contributions in the same year totaled about $14.0 billion and also accounted for two-fifths of aggregate contributions; they had been a little more than half the total in 1950. These shifts resulted from a multitude of interrelated factors, such as the increased cost and broadened scope of

TABLE 3.—Estimated total employer and employee contributions[1] under employee-benefit plans,[2] by type of benefit, 1950, 1955, 1960, 1965, 1967–70

[In millions]

Type of benefit	1950	1955	1960	1965	1967	1968	1969	1970
Total	$3,937.0	$7,851.6	$12,522.1	$19,892.0	$23,366.6	$26,720.0	$30,480.8	$34,676.2
Benefits for all wage and salary workers								
Life insurance and death benefits [3]	480.0	880.5	1,416.2	2,233.0	2,538.0	2,936.5	3,223.6	3,522.9
Accidental death and dismemberment [4]	18.4	43.4	70.0	116.0	142.0	169.0	190.0	224.0
Total health benefits	856.3	2,193.6	4,257.0	7,520.0	8,548.8	10,075.6	11,594.8	13,877.6
Hospitalization [5 6]	562.4	1,385.1	2,504.8	4,332.8	4,702.7	5,539.4	6,341.4	7,589.3
Surgical and regular medical [5]	293.9	769.5	1,282.2	2,109.2	2,552.1	2,915.2	3,363.4	3,998.3
Major-medical expense [7]		39.0	470.0	1,078.0	1,294.0	1,621.0	1,890.0	2,310.0
Benefits for wage and salary workers in private industry								
Temporary disability, including formal sick leave [8]	502.3	854.1	1,170.9	1,547.0	1,844.8	2,243.9	2,582.4	2,921.7
Written in compliance with law	75.9	178.8	238.8	258.4	310.6	342.0	394.4	417.4
Supplemental unemployment benefits [9]		40.0	118.0	116.0	113.0	125.0	110.0	130.0
Retirement [10]	2,080.0	3,840.0	5,490.0	8,360.0	10,180.0	11,170.0	12,780.0	14,000.0

[1] Excludes dividends in group insurance.

[2] Plans whose benefits flow from the employment relationship and are not underwritten or paid directly by government (Federal, State, or local). Excludes workmen's compensation required by statue, and employer's liability.

[3] Group and wholesale life insurance premiums based on data from Institute of Life Insurance and Health Insurance Association of America, *Group Insurance Coverages in the United States*, annual issues, and *Tally*, October 1971, modified to exclude group plans not related to employment, and excludes premiums for the Servicemen's Group Life Insurance plan. Self-insured death benefits costs based on data for various trade-union, mutual benefit association, and company-administered plans.

[4] Data from Institute of Life Insurance (see footnote 3).

[5] Data from "Private Health Insurance in 1970: Population Coverage, Enrollment, and Financial Experience," *Social Security Bulletin*, February 1972. In estimating contributions for employees under plans other than group insurance and union and company plans, it was assumed that the proportion of subscription income attributable to employed groups increased gradually from 75 percent in 1950–60 to 83 percent in 1970.

[6] Includes private hospital plans written in compliance with State temporary disability insurance law in California; separate data not available for these plans.

[7] Unpublished data from the Health Insurance Association of America. Represents premiums for group supplementary and comprehensive major-medical insurance underwritten by commercial insurance carriers.

[8] Data from "Cash Benefits for Short-Term Sickness, 1948–70," *Social Security Bulletin*, January 1972. Includes private plans written in compliance with State temporary disability laws in California, New Jersey, and New York, shown separately in next line. Includes contributions under long-term disability plans, not available separately.

[9] Based on trade-union and industry reports, and "Financing Supplemental Unemployment Benefit Plans," *Monthly Labor Review*, November 1969. Excludes dismissal wage and separation allowances, except when financed by supplemental unemployment benefit funds covering temporary and permanent layoffs.

[10] Estimated by the Office of the Actuary, Social Security Administration. Includes contributions to pay-as-you-go and deferred profit-sharing plans, plans of nonprofit organizations, union pension plans, and railroad plans supplementing Federal railroad retirement program.

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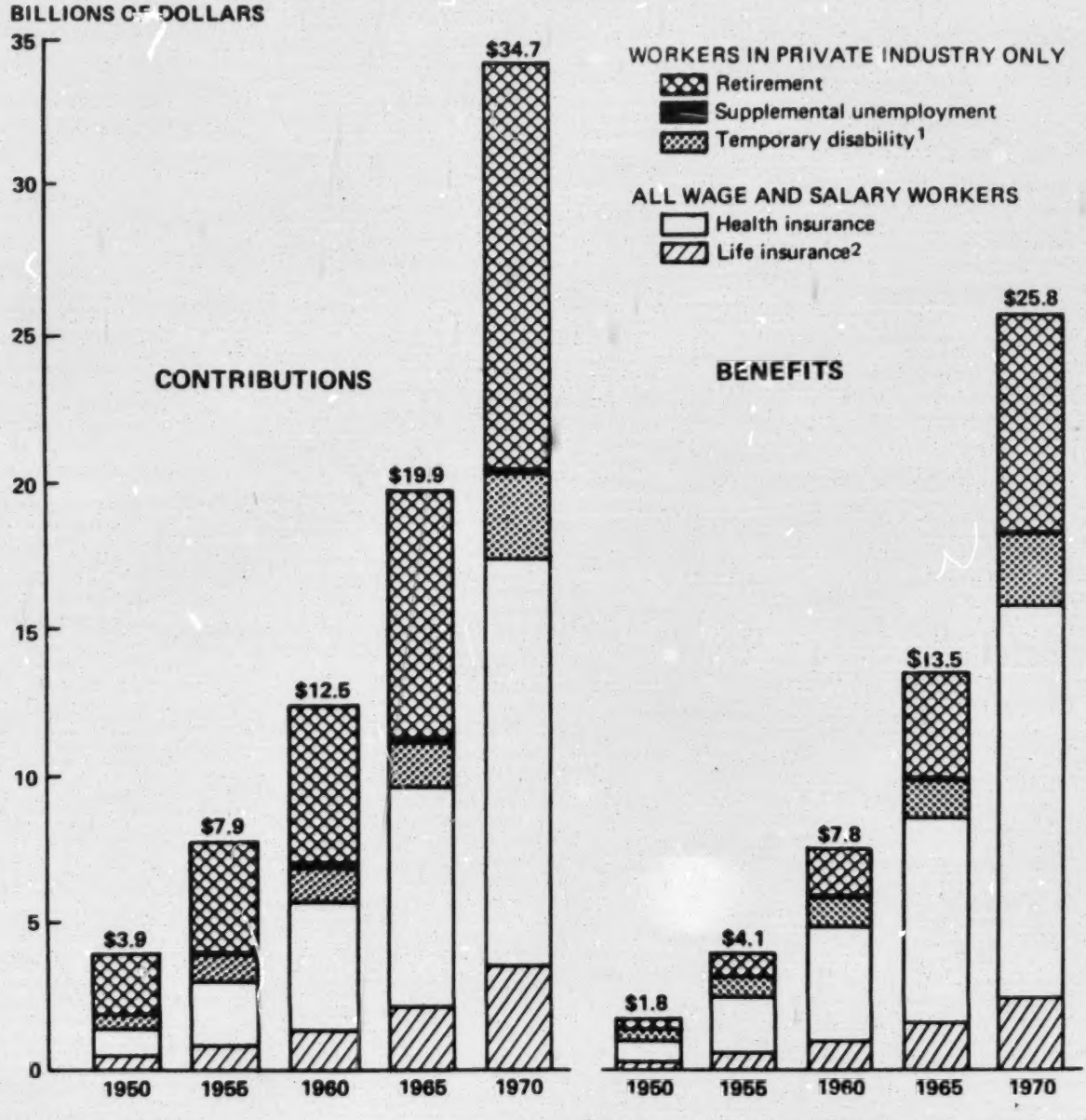
health care, especially since 1965, and the maturing of retirement programs.

Benefits

Employee-benefit plan expenditures for health and medical care expense, for periodic payments for retirement, unemployment, and sickness, and for death benefits amounted to an estimated $25.8 billion in 1970—a rise of almost 17 percent over the previous year (table 4). The largest single item of benefit payment in 1970 (representing slightly more than 50 percent of total employee-benefit outlays) was for health care.

CHART 1.—Contributions and benefits under employee-benefit plans, by type of benefit, selected years, 1950–70



[1] Including sick leave.

[2] Including accidental death and dismemberment insurance.

Health care payments continue to be one of the fastest growing categories of employee-benefit plan expenditures (chart 1). In 1970, outlays for these purposes totaled $13.3 billion—nearly twice what was spent 5 years earlier. The annual growth rate of 21 percent was somewhat higher than it had been in past years. The inflation of medical costs has left its imprint on the rapidly increasing expenditures for health care benefits.

The next largest expenditure was for retirement benefits, which amounted to $7.4 billion in the year 1970, or almost 30 percent of total expenditures. The 1970 growth rate of 14 percent was somewhat lower than that registered in recent years.

Life insurance and accidental death benefits ($2.6 billion) and temporary disability benefits ($2.4 billion) had somewhat lower growth rates than other types of employee benefits. The increases in these categories were 3 percent and 16 percent, respectively.

Total benefits paid under private employee-benefit plans were more than fourteen times higher in 1970 than in 1950; they went from $1.8 billion in 1950 to $25.8 billion in 1970. Although payments in all categories advanced, health benefits showed a greater increase than any other category. This increase reflected the expanded scope of benefits, such as those under major-medical expense plans, as well as the higher cost of medical care. Total expenditures for health benefits in 1970 were almost 20 times higher than they had been at the beginning of the period; they amounted to $709 million in 1950 and $13.3 billion in 1970.

Health care payments from employee-benefit plans constitute the major share of total voluntary health insurance payments in the Nation. In 1970 these plans accounted for 85 cents of every dollar of benefit payments of all private health insurance agencies. In 1950, they represented 71 cents per dollar paid out.

Private pension plan payments have had a similar long-term growth pattern, with benefit expenditures going from less than $400 million in 1950 to $7.4 billion in 1970. This record growth reflects both the greater number of annuitants as the plans mature and the broadened scope and level of benefits.

The other types of employee-benefit plans had major dollar advances in the past 20 years. None of their increases—measured either relatively or absolutely—was of the same magnitude as those of health or retirement plans.

MEASURING REAL GROWTH

Of more significance than changes in the number of covered employees or in the amounts contributed for various types of benefits is the extent to which these changes represent real increases in terms of the total wage and salary labor force and aggregate payrolls. Table 5 provides the basis for measuring these gains.

In 1970, coverage under all types of employee-benefit plans grew at a somewhat faster rate than the labor force because of the introduction of new plans as well as expanded coverage in existing plans. The long-run trend shows that, except for temporary disability plans and supplemental unemployment benefit plans, the gains in coverage during the past two decades appear significant when the number of persons covered is related to the number in the employed labor force. Countervailing forces and institutional barriers make growth in some types of plans increasingly difficult and uncertain, however.

Despite a deceleration since 1960, the record of real growth in coverage for employee-benefit plans in the past 20 years has been impressive (chart 2). In 1950, less than 50 percent of the civilian labor force had hospital expense coverage (the most common type of health insurance plan); by 1970, 80 percent had this protection. Surgical coverage shows a similar growth pattern. The other health care categories have demonstrated even greater growth when related to the civilian labor force. Regular medical (in-hospital) expense coverage included more than 70 percent of the labor force in 1970 but only 16 percent in 1950. Major-medical expense plans grew most quickly, with coverage rising from 4 percent in 1955 (when such coverage was first being extensively offered) to 36 percent in 1970.

There has been a decided shift in the direction of extended health care services through employee-benefit plans. Table 6 shows that, although it was estimated that less than half of the employed labor force was covered for X-ray and laboratory expense outside the hospital in 1965, by 1970 the proportion had risen to more than three-fourths. Similar though smaller gains were registered for

plans providing out-of-hospital drugs and private-duty and visiting nurse services. The data show a significant increase in coverage under dental care plans, which included about 7 percent of the civilian labor force in 1970; there was little coverage in 1965.

Under private retirement plans, the proportion of private wage and salary workers covered in private industry has typically increased by 1–2 percentage points a year since 1950: By 1970 almost 50 percent of the private labor force was covered. Temporary disability and supplemental unemployment benefit plans have shown little change in coverage since 1950 (1955 for supplemental unemployment benefit plans). They included 50 percent and 4 percent, respectively, of the private labor force in 1970.

The data on contributions, like those for coverage, also show real advances in terms of the increasing proportion of aggregate wage and salary payrolls that is allocated to employee-benefit plans. The 1970 experience continued the long-run trend (table 5). In 1950, total contributions for health insurance amounted to 61 cents per $100 of payroll; by 1970 they had risen more than 300 percent to $2.66 per $100 of payroll. Contributions for life insurance and for death benefits rose from 34 cents per $100 of payroll in 1950 to 67 cents per $100 of payroll in 1970.

In the same 20-year period, retirement plan contributions in relation to private industry payroll almost doubled—from a rate of $1.67 per $100 of payroll in 1950 to $3.28 in 1970. Contributions for temporary disability plans experienced a slower growth in relation to private wage and salary payrolls—69 cents per $100 in 1970 compared with 40 cents per $100 in 1950.

These measures, however, have some limitations. Estimates of coverage, contributions, and benefits are based primarily on reports of insurers and other nongovernmental bodies. Coverage data, for example, are generally based on the number of active participants. In addition to those currently employed, this group may include persons who have been temporarily laid off or retired. The practice of continuing coverage for a retired worker is particularly prevalent in group life insurance. Many group life and health plans permit a person on layoff to continue coverage in the group for 3 to 6 months, and, in some cases, even longer. In addition, workers who have terminated employment may carry vested pension rights; these persons are often included in the total coverage group.

No attempt has been made in this series to correct the coverage data for such limitations.

TABLE 4.—Estimated benefits paid under employee-benefit plans,[1] by type of benefit, 1950, 1955, 1960, 1965, 1967–70

[In millions]

Type of benefit	1950	1955	1960	1965	1967	1968	1969	1970
Total	$1,812.5	$4,070.9	$7,804.5	$13,543.7	$16,389.2	$19,154.0	$22,119.2	$25,797.1
Benefits for all wage and salary workers:								
Life insurance and death benefits [2]	310.0	581.5	1,017.6	1,550.0	1,899.0	2,137.1	2,386.2	2,435.1
Accidental death and dismemberment [3]	16.0	26.1	47.3	89.5	101.4	120.5	128.7	151.4
Total health benefits	708.7	1,902.9	3,898.2	7,012.1	7,973.8	9,414.6	10,984.1	13,322.7
Hospitalization [4 5]	477.5	1,241.8	2,355.0	4,160.5	4,526.3	5,288.5	6,128.3	7,344.0
Written in compliance with law	2.1	5.6	8.0	2.5	2.7	2.7	3.3	3.3
Surgical and regular medical [4]	231.2	637.1	1,116.2	1,847.6	2,141.5	2,468.1	2,933.8	3,563.7
Major-medical expense [6]		24.0	427.0	1,004.0	1,306.0	1,658.0	1,922.0	2,415.0
Benefits for wage and salary workers in private industry:								
Temporary disability, including formal sick leave [7]	407.8	710.4	1,030.4	1,310.1	1,506.0	1,846.8	2,070.2	2,402.9
Written in compliance with law	54.3	135.2	146.1	197.6	222.4	251.7	281.2	307.2
Supplemental unemployment benefits [8]			91.0	62.0	119.0	105.0	100.0	125.0
Retirement [9]	370.0	850.0	1,720.0	3,530.0	4,790.0	5,530.0	6,450.0	7,360.0

[1] Plans whose benefits flow from the employment relationship and are not underwritten or paid directly by government (Federal, State, or local). Excludes workmen's compensation required by statute and employer's liability.

[2] Group and wholesale life insurance benefits based on data from Institute of Life Insurance, *Life Insurance Fact Book*, 1971, modified to exclude group plans not related to employment, and excludes benefits paid under the Servicemen's Group Life Insurance plan. Self-insured death benefits based on data for various trade-union, mutual benefit association, and company administered plans.

[3] Unpublished data from the Institute of Life Insurance.

[4] Data from "Private Health Insurance in 1970: Population Coverage, Enrollment, and Financial Experience," *Social Security Bulletin*, February 1972. In estimating benefits paid to employees under plans other than group insurance and union and company plans, it was assumed that the proportion of benefits attributable to employed groups increased gradually from 75 percent in 1950–60 to 83 percent in 1970.

[5] Includes hospital plans written in compliance with State temporary disability insurance law in California, shown separately in next line.

[6] Unpublished data from the Health Insurance Association of America. Represents benefits paid under group supplementary and comprehensive major-medical insurance underwritten by commercial insurance carriers.

[7] Data from "Cash Benefits for Short-Term Illness, 1948–70," *Social Security Bulletin*, January 1972. Includes private plans written in compliance with State temporary disability insurance laws in California, New Jersey, and New York, shown separately in next line. Includes benefits under long-term disability plans, not available separately.

[8] Based on trade-union and industry reports and "Financing Supplemental Unemployment Benefit Plans," *Monthly Labor Review*, November 1969. Excludes dismissal wage and separation allowances, except when financed from supplemental unemployment benefit funds covering temporary and permanent layoffs.

[9] Estimated by the Office of the Actuary, Social Security Administration. Includes benefits paid under pay-as-you-go and deferred profit-sharing plans, plans of nonprofit organizations, union pension plans, and railroad plans supplementing Federal railroad retirement program.

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TABLE 5.—Coverage and contributions under employee-benefit plans,[1] by type of benefit in relation to employed wage and salary labor force and payroll, 1950–70

Year	Life insurance and death	Accidental death and dismemberment	Hospitalization	Surgical	Regular medical	Major medical expense	Temporary disability, including formal sick leave	Long-term disability	Supplemental unemployment	Retirement
	Covered employees as percent of all wage and salary workers[2]						Covered employees as percent of wage and salary workers in private industry[2]			
1950	38.9	16.2	48.7	35.5	[illegible]	.....	46.2	.....	.....	22.5
1955	50.7	28.3	60.0	54.7	[illegible]	4.0	49.2	.....	2.1	32.2
1960	58.2	35.5	68.9	65.5	50.2	16.5	49.0	.....	3.4	42.4
1961	60.4	36.2	71.3	68.4	[illegible]	19.7	49.4	.....	3.6	44.6
1962	60.4	37.4	71.5	68.5	[illegible]	21.2	49.4	.....	3.5	45.3
1963	61.5	40.2	73.5	70.7	[illegible]	23.7	49.6	.....	3.5	45.9
1964	63.8	42.1	73.8	71.2	[illegible]	24.6	49.9	.....	3.6	46.5
1965	64.2	43.5	74.3	72.0	60.3	26.8	50.4	.....	3.8	46.2
1966	63.4	41.8	73.0	70.8	[illegible]	[illegible]	46.9	4.2	3.8	45.9
1967	65.2	43.4	74.3	72.5	62.6	30.2	47.1	6.5	3.8	47.2
1968	66.9	46.7	75.7	73.8	[illegible]	31.6	49.3	7.9	3.8	46.8
1969	65.3	49.4	77.2	76.0	66.2	33.1	50.2	9.3	3.9	47.1
1970	69.1	52.1	80.2	79.2	71.1	35.8	50.7	11.7	4.0	48.3
	Employer and employee contributions as percent of all wages and salaries[3]						Employer and employee contributions as percent of wages and salaries in private industry[4]			
1950	0.34	0.01	0.40	0.21		.....	0.40	.....	.....	1.67
1955	.44	.02	.69	.38		0.02	.49	0.02	0.02	2.19
1960	.54	.03	.96	.49		.18	.53	.05	.05	2.47
1961	.58	.03	1.06	.54		.24	.53	.05	.05	2.48
1962	.59	.03	1.11	.56		.26	.54	.06	.06	2.51
1963	.62	.03	1.16	.56		.28	.53	.06	.06	2.55
1964	.63	.03	1.21	.58		.30	.51	.04	.04	2.70
1965	.64	.03	1.25	.61		.31	.54	.04	.04	2.89
1966	.62	.03	1.20	.61		.31	.54	.04	.04	2.92
1967	.62	.03	1.15	.63		.32	.55	.03	.03	3.00
1968	.66	.04	1.23	.65		.36	.61	.03	.03	3.03
1969	.66	.04	1.29	.69		.38	.64	.03	.03	3.15
1970	.67	.04	1.45	.77		.44	.69	.03	.03	3.28

[1] Plans whose benefits flow from the employment relationship and are not underwritten or paid directly by government (Federal, State, or local). Excludes workmen's compensation required by statute and employer's liability.

[2] Coverage of private and public employees related to average number of private and government full-time and part-time civilian employees—74.3 million in 1970 (table 6.3 in *Survey of Current Business*, July 1971) and the *National Income and Product Accounts of the United States, 1929–1965 Statistical Tables* (*Supplement to the Survey of Current Business*), 1966.

[3] Coverage of private employees related to wage and salary employed labor force in private industry—61.5 million in 1970 (from table 6.3 in source listed in footnote 2).

[4] Amounts for private and public employees related to private and government civilian wages and salaries—$522.0 billion in 1970 (from table 6.2 in source listed in footnote 2). Data for surgical and regular medical benefits not available separately.

[5] Amounts for private employees related to wage and salaries in private industry—$426.5 billion in 1970 (from table 6.2 in source listed in footnote 2). Data for temporary and for long-term disability benefits not available separately.

Therefore, the ratios of the number of covered workers to the number of workers in the labor force have some overstatement. The same degree of overstatement may exist for the relationships of contributions to aggregate payrolls. In a period when unemployment and payrolls are experiencing subnormal growth (as in 1970), the effects may become more pronounced. Nevertheless, the overall impression of long-run growth patterns for the various types of employee-benefit plans remains valid.

As stressed above, there is a trend toward broader and broader coverage under employee-benefit plans.[2] Thus they now provide many services and protections not originally included in the plans. The rapidly increasing dollar amounts of benefits paid under employee-benefit plans, however, do not necessarily represent real gains—in terms of increased quality of care and adequacy of protection provided—for individual employees. Some of the rise in aggregate expenditures is simply the result of growth in the number of employees and dependents covered, the increased per unit cost of providing specific services and benefits, and the increased utilization of services.

Measuring the magnitude of real gain in health care benefits is particularly difficult.[3] The extent of the utilization of medical and hospital services is influenced by a number of factors such

[2] See Health Insurance Institute, *New Group Health Insurance: I. Policies Issued in 1970* and *II. The Five-Year Trend, 1965–70*. See also Donald M. Landay, "Trends in Negotiated Health Plans: Broader Coverage, Higher Quality Care," *Monthly Labor Review*, May 1969, and Dorothy R. Kittner, "Changes in Health and Insurance Plans for Salaried Employees," *Monthly Labor Review*, February 1970.

[3] See Herbert E. Klarman, Dorothy P. Rice, Barbara S. Cooper, and H. Louis Stettler III, *Sources of Increase in Selected Medical Care Expenditures, 1929–1969* (Staff Paper No. 4), Social Security Administration, Office of Research and Statistics, 1970.

as the age distribution of the work force, variations in morbidity experience (incidence of sickness), shifts in the types of services used (costly hospital versus less costly outpatient services), and the tendency for private plans to provide

CHART 2.—Workers covered under employee-benefit plans as a percent of the employed wage and salary labor force, selected years, 1950–70

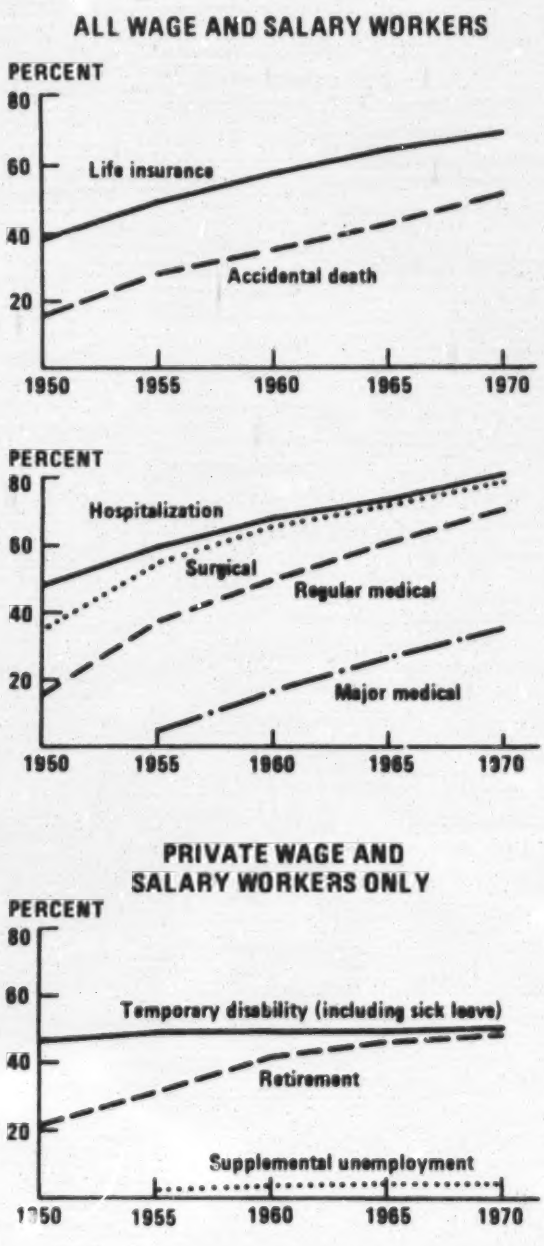

TABLE 6.—Coverage under employee-benefit plans,[1] as percent of employed wage and salary labor force,[2] by selected type of medical care service, 1965 and 1970

Type of benefit	1970	1965
Physicians' office and home visits	47.2	37.7
X-ray and laboratory examinations	75.5	47.6
Prescribed drugs (out-of-hospital)	53.6	31.9
Private-duty nursing	51.1	33.2
Visiting-nurse service	54.8	35.4
Nursing-home care	15.6	5.8
Dental care	6.6	2.0

[1] See footnote 1, table 5.
[2] See footnote 2, table 5.

supplemental rather than basic protection to the elderly, as the result of Medicare. The discussion below, which is based on adjusting the health care data for population and price changes, should therefore be viewed as providing only rough estimates of the real gains in the quality, scope, and adequacy of protection provided by employee-benefit plans.

Health Benefits

Total hospital benefits paid by employee-benefit plans (including those from major-medical plans) increased by 224 percent in the 10-year period from 1960 to 1970. During the same period, benefits per participant (employees and dependents) grew by only 120 percent. According to the Bureau of Labor Statistics, the hospital daily service charge component of the Consumer Price Index (CPI) rose 156 percent from 1960 to 1970. By adjusting per capita benefits for price increases, a rough approximation of real gains can be made. An analysis of the data indicates that real gains were substantial for each year from 1960 to 1965—that is, benefits per participant rose more rapidly than the cost of hospital care as measured by room rates. Since that time, however, the per capita benefits in constant dollars have shown little growth. As a result, most of the increase in expenditures for hospital benefits since 1966 reflects only the rising prices.

Unlike hospital benefits, the payments for surgical and other medical benefits (including those under major-medical plans) showed substantial real gains in the past 10 years. Aggregate benefits have had a 277-percent increase since 1960. Benefits per capita also rose sharply by almost 150 percent in the same period. After adjustment of these figures for price rises (as reported for the physicians' and the surgeons' fees component

in the CPI), real per capita medical care payments still showed an increase of about 55 percent.

The major source of the gain in health care protection has been the broadened major-medical expense coverage. Tables 1 and 2, for example, show substantial expansion during the period 1965–70 in coverage under employee-benefit plans for physicians' home, hospital, and office visits, X-ray and laboratory examinations, prescribed drugs, etc. In addition, surgical and regular medical expense benefits in existing plans were also liberalized.

Temporary Disability Benefits

Some indication of the gains in protection under temporary disability plans can be derived by relating the amounts paid under these plans to the total amount of income lost by covered private wage and salary workers. Use of this method shows that cash sickness benefits paid under private plans (including formal sick-leave plans) replaced 31.3 percent of the gross income loss of covered workers in 1960 and 38.8 percent in 1970. Most of this real gain was registered in the second half of the decade.

The index of growth reflects to a large extent the increasing prevalence of formal sick-leave plans, which by generally providing for 100 percent of pay from the first day of sickness, can be expected to replace a greater proportion of lost income than insurance plans. From data collected by the Bureau of Labor Statistics in its community wage surveys,[4] it is estimated that the number of employees covered by formal sick-leave plans increased by 15–20 percent from 1960 to 1965 and by 40–45 percent from 1965 to 1970. A growing number of these plans are used to compensate workers for the first few days of sickness that are not covered by ordinary insurance policies.

According to the limited evidence available, group wage-replacement insurance policies—unlike formal sick-leave plans—have little more than held their own in recent years, at least with respect to short-term benefits.

Private wage-replacement plans under New York State temporary disability insurance laws reported an average weekly benefit for a disabled worker of $45.82 in 1960; by 1965 the amount had gone up 11 percent to $51.08, and in 1970 the weekly benefit average was $67.66—32 percent higher than in 1965. These increases, however, were no greater than the advances in average weekly wages that took place in the State—18 percent from 1960 to 1965 and 32 percent from 1965 to 1970.

Similarly, the Health Insurance Institute annual studies of new group disability insurance policies[5] show that the average maximum weekly benefit available to employees covered by 26-week plans rose from $59 in 1965 to $66 in 1970 (for 13-week plans, the increase was from $46 to $50). This increase is considerably below the 30-percent rise in national wage levels during the period. The sample studies do indicate some liberalization in the maximum duration of benefits, which undoubtedly contributed toward the real gain in temporary disability benefits. In 1965, 45 percent percent of the employees under group wage-replacement policies were eligible for benefits of 26 weeks or more. By 1970, the proportion had risen to 55 percent.

Retirement Plan Benefits

Average outlays per private pension beneficiary rose from $1,021 in 1960 to $1,654 in 1970—a 62-percent increase. An examination of aggregate retirement benefits under these plans and of prices since 1960 shows that rising price levels have eroded some of the value of higher benefit levels. For all beneficiaries, average annual benefits measured in terms of constant 1970 dollars still showed sizable increases of about 25 percent over 1960 ($1,338 in 1960, compared with $1,654 in 1970).

Life Insurance Benefits

According to the Institute of Life Insurance, the total value of employee group life insurance rose 177 percent from 1960 to 1970. At the same

[4] Department of Labor, Bureau of Labor Statistics, *Wages and Related Benefits, 1959–60* (Bulletin No. 1265–62), 1961, *Wages and Related Benefits, 1964–65* (Bulletin No. 1430–83), 1966, and *Area Wage Surveys, 1969–70* (Bulletin No. 1660–91), 1971.

[5] Health Insurance Institute, *Group Health Insurance Policies Issued in 1961, . . . in 1965,* and *. . . in 1970.*

time, the number of active lives covered also rose rather rapidly, so the average policy value increased only 57 percent. This increase, however, was about the same as the rise in annual average earnings. Thus, on the basis of this limited analysis, group life insurance plans have merely kept pace with rising earnings in recent years.

PRIVATE PENSION PLAN TRENDS

Coverage

The estimated number of persons in private wage and salary employment covered by private pension and deferred profit-sharing plans was about 29.7 million in 1970 (table 7). The small numerical and percentage increases in coverage from 1969 to 1970 were typical of the increments in the past few years.

Since 1950, coverage under these plans has tripled. In recent years, however, the rate of growth has declined: Coverage grew by about 57 percent from 1950 to 1955 and by 38 percent from 1955 to 1960; it increased by only about 20 percent in each of the next two 5-year periods.

Retirement plans covered about 48 percent of the private wage and salary labor force in 1970, compared with approximately 22 percent in 1950. In recent years, the proportion of employed persons with pension coverage has risen slowly. At the same time the proportion of the retired population receiving private pensions has been growing significantly.

The growth in the number of persons covered by private pension plans has slackened, since these plans have already been extended to the more accessible groups. According to a Bureau of Labor Statistics study,[6] low-paid workers in small establishments are least likely to be covered by pension plans, and their inclusion in private pension plans may prove difficult.

A recent Social Security Administration study[7] shows that workers with private pension coverage who reached retirement age in 1968–69 typically had held high-paid white- or blue-collar jobs in the manufacturing, transportation, public utilities, and finance industries. Those least likely to have such coverage were relatively low-paid, unskilled and semiskilled workers in construction and in trade and service industries.

As part of the Social Security Administration's continuing efforts to improve the series on private retirement trends, reviews of estimates of coverage have been underway for some time. Up to this time, no substantial comprehensive information has become available to provide benchmarks for revision of the series. A major study of private

[6] Emerson Beier, "Incidence of Private Retirement Plans," *Monthly Labor Review*, July 1971.

[7] Walter Kolodrubetz, "Characteristics of Workers with Pension Coverage on Longest Job: New Beneficiaries," *Social Security Bulletin*, November 1971.

TABLE 7.—Private pension and deferred profit-sharing plans [1]: Estimated coverage, contributions, beneficiaries, benefit payments, and reserves, 1950, 1955, 1960–70

Year	Coverage,[2] end of year (in thousands)			Employer contributions (in millions)			Employee contributions (in millions)			Number of beneficiaries, end of year (in thousands)			Amount of benefit payments (in millions)			Reserves, end of year (in billions)		
	Total	Insured	Noninsured	Total	Insured	Noninsured	Total	Insured	Noninsured	Total	Insured	Noninsured	Total [3]	Insured	Noninsured [4]	Total	Insured	Noninsured
1950	9,800	2,600	7,200	$1,750	$720	$1,030	$330	$200	$130	450	150	300	$370	$80	$290	$12.1	$5.6	$6.5
1955	15,400	3,800	11,600	3,280	1,100	2,180	660	280	280	980	290	690	850	180	670	27.5	11.3	16.1
1960	21,200	4,900	16,300	4,710	1,190	3,520	780	300	480	1,790	540	1,240	1,720	390	1,330	52.0	18.8	33.1
1961	22,200	5,100	17,100	4,830	1,180	3,650	780	290	490	1,910	570	1,340	1,970	450	1,520	57.8	20.2	37.5
1962	23,100	5,200	17,900	5,200	1,240	3,960	830	310	520	2,100	630	1,470	2,330	510	1,820	63.5	21.6	41.9
1963	23,800	5,400	18,400	5,560	1,390	4,170	860	300	560	2,280	690	1,590	2,590	570	2,020	69.9	23.3	46.6
1964	24,600	6,000	18,600	6,370	1,520	4,850	910	310	600	2,490	740	1,750	2,990	640	2,350	77.7	25.2	52.4
1965	25,300	6,200	19,100	7,370	1,770	5,600	990	320	670	2,750	790	1,960	3,520	720	2,800	86.5	27.3	59.2
1966	26,300	6,900	19,400	8,210	1,850	6,360	1,040	330	710	3,110	870	2,240	4,190	810	3,380	95.5	29.3	66.2
1967	27,500	7,700	19,800	9,050	2,010	7,040	1,130	340	790	3,410	930	2,480	4,790	910	3,880	106.2	31.9	74.2
1968	28,000	7,900	20,100	9,940	2,240	7,700	1,230	340	890	3,770	1,010	2,760	5,530	1,030	4,500	117.8	34.8	83.1
1969	29,000	8,700	20,300	11,420	3,030	8,490	1,360	350	1,010	4,190	1,070	3,110	6,450	1,160	5,290	127.8	37.2	90.6
1970	29,700	9,300	20,400	12,580	2,860	9,720	1,420	350	1,070	4,730	1,220	3,500	7,360	1,330	6,030	137.1	40.1	97.0

[1] Includes pay-as-you-go, multiemployer, and union-administered plans, those of nonprofit organizations, and railroad plans supplementing the Federal railroad retirement program. Excludes pension plans for Federal, State, and local government employees as well as pension plans for the self-employed. Insured plans are underwritten by insurance companies; noninsured plans are, in general, funded through trustees.

[2] Excludes annuitants; employees under both insured and noninsured plans are included only once—under the insured plans.

[3] Includes refunds to employees and their survivors and lump-sums paid under deferred profit-sharing plans.

Source: Compiled by the Office of the Actuary, Social Security Administration, from data furnished primarily by the Institute of Life Insurance and the Securities and Exchange Commission.

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pension coverage will be conducted in 1972, and the series will be corrected when these data are available.

Contributions

Improved estimates on the financial activities of corporate private pension funds have become available this year. As a result, the data on total contribution and benefit payments have been revised for most years since 1960.

Employer and employee contributions to retirement plans amounted to an estimated $14.0 billion during 1970. This 9.5-percent increase from 1969 contributions was lower than that experienced from 1968 to 1969.

Table 7 shows that combined employer-employee contributions in 1970 were seven times greater than they had been two decades ago when they amounted to $2.0 billion. Since 1950 employer contributions have grown at a faster pace than employee contributions, and employers now pay almost 90 percent of all contributions. In 1950, their share was about 84 percent.

Benefits and Beneficiaries

Total benefit payments under private pension plans amounted to $7.4 billion in 1970, a 14-percent increase, typical of the growth of the past 5 years. About 4.7 million persons (beneficiaries and survivors) received benefits during 1970—13 percent more than in 1969. This higher-than-usual increase in the number of beneficiaries can be tied directly to the relatively high unemployment rate during 1970 with its consequent pressures for retirement.

Following the trend since 1950, the rate of growth in benefit payments continues to outstrip growth in the number of beneficiaries. The 1970 figure for beneficiaries is 10 times the figure for 1950. Benefit payments in 1970 were 20 times larger than in 1950, mirroring past and recent improvements in the benefit levels as well as the rising wage levels on which these benefits are based. In recent years, inflationary pressures have resulted in a significant number of ad hoc adjustments in benefits for workers already retired.

Since the growth rate for beneficiaries has been far greater than that for active covered workers, the ratio of covered active workers to beneficiaries has changed radically in the past 20 years. In 1950, there were about 22 active workers for each retiree; by 1970 this ratio had dropped to 6 to 1. This decreasing ratio is usually considered a sign of the gradual maturing of a pension system.

The relationship between benefit payments and total contributions is another rough measure of the maturing of the system. Despite the extension of plans, the expansion of coverage in existing plans, and other changes dictating increased contributions in the past 20 years, the ratio of benefits to contributions went from 18 percent in 1950 to 31 percent in 1960, and to about 53 percent in 1970.

When returns on investments are considered with contributions and benefits, the relationship remains the same. Benefit payments equaled about 45 percent of total pension fund receipts in 1970, compared with 16 percent in 1951. On an aggregate basis, the investment performance of pension funds has had a direct relationship to contributions and benefits paid. As reserves have grown, and as their rate of return has increased, contribution growth has slowed. At the same time, benefits have risen sharply.

Reserves

Reserves set aside for present and future payments rose to $137 billion (book value) in 1970. The relatively modest gain of 7 percent from 1969 assets was below the typical increase of the 1960's. This relative decline was chiefly due to losses on the sale of fund assets during the year. Beneficiaries and benefit payments from retirement programs had expansive growth in the past few years—an additional factor in the decline in the growth rate of pension fund reserves.

TECHNICAL NOTE

The estimates of coverage, contributions, and benefits in this series are based for the most part on reports by private insurance companies and other nongovernment agencies. Many of the reports include data for persons who are no longer employed as wage and salary workers because

of retirement, temporary lay-off, sickness, or shift in jobs. No attempt has been made to adjust the data for any overstatement that might result from their inclusion, except that the coverage estimates for pension plans have been adjusted to exclude annuitants.

Contributions under insured pension plans are on a net basis, with dividends and refunds deducted. Those under noninsured plans are, for the most part, on a gross basis, and refunds appear as benefit payments. For pay-as-you-go (unfunded) plans, contributions have been assumed to equal benefit payments. Estimates of per capita contributions are derived by dividing total annannual contributions by the average number of employees covered during the year.

The number of beneficiaries under pension plans refers to those receiving periodic payments at the end of the year and thus excludes those who received lump-sums during the year. The amounts shown for retirement benefits under noninsured plans include (1) refunds of employee contributions to individuals who withdraw from the plans before retirement and before accumulating vested deferred rights, (2) payment of the unpaid amount of employee contributions to survivors of pensioners who die before they receive in retirement benefits an amount equal to their contributions, and (3) lump-sum payments made under deferred profit-sharing plans. Because the source of the data from which the estimates have been developed does not permit distinction between these lump-sum benefits and the amounts representing monthly retirement benefits, precise data on average monthly or annual retirement benefit amounts cannot be derived.